By Clint Shields

The Eagle Ford Shale is roughly 50 miles wide and 400 miles long, spanning 24 Texas counties.

The glory days of the Texas oil patch — of boomtowns and gushers, of fortunes made or lost in a day — are as much a part of our state's story as cattle and cowboys. But after decades of "maturing" oilfields and declining production, it also seemed like a chapter from the distant past.

Until recently, that is.

In the past few years, a new and unexpected oil boom has been developing in South and East Texas, driven by production in a rock formation called the Eagle Ford Shale.

Roughly 50 miles wide and 400 miles long, the Eagle Ford is named after an old West Dallas community where the shale rock was first studied, exposed at the surface. From there, the rock layer dips thousands of feet into the Earth where, hundreds of miles to the south and east, it has become an economic boon.

How big, and how much?

A 2011 study by the University of Texas-San Antonio (UTSA), *Economic Impact of the Eagle Ford Shale*, assessed the economic and job growth it has produced as well as its long-term potential.

According to the UTSA study, energy production from the shale already accounts for 6 percent of the economy in a 24-county region, supporting more than 12,600 jobs and adding $29 billion in total economic output. By 2020, job totals are expected to top 67,000 and the impact on gross state product will approach $11.6 billion.

And those numbers may be low, according to Thomas Tunstall, director of the Center for Community and Business Research at UT-San Antonio's Institute for Economic Development.

"Job forecasts in the initial study were extremely conservative and will most certainly come back higher," Tunstall says.

A follow-up UTSA study is expected in spring 2012.

As with most oil and natural gas fields, it's probably impossible to predict just how much oil is locked within the shale.

"We're still trying to figure that out," Tunstall says. "The low-end projection is 3 billion barrels of oil and condensate, but the high side is as much as 10 billion."

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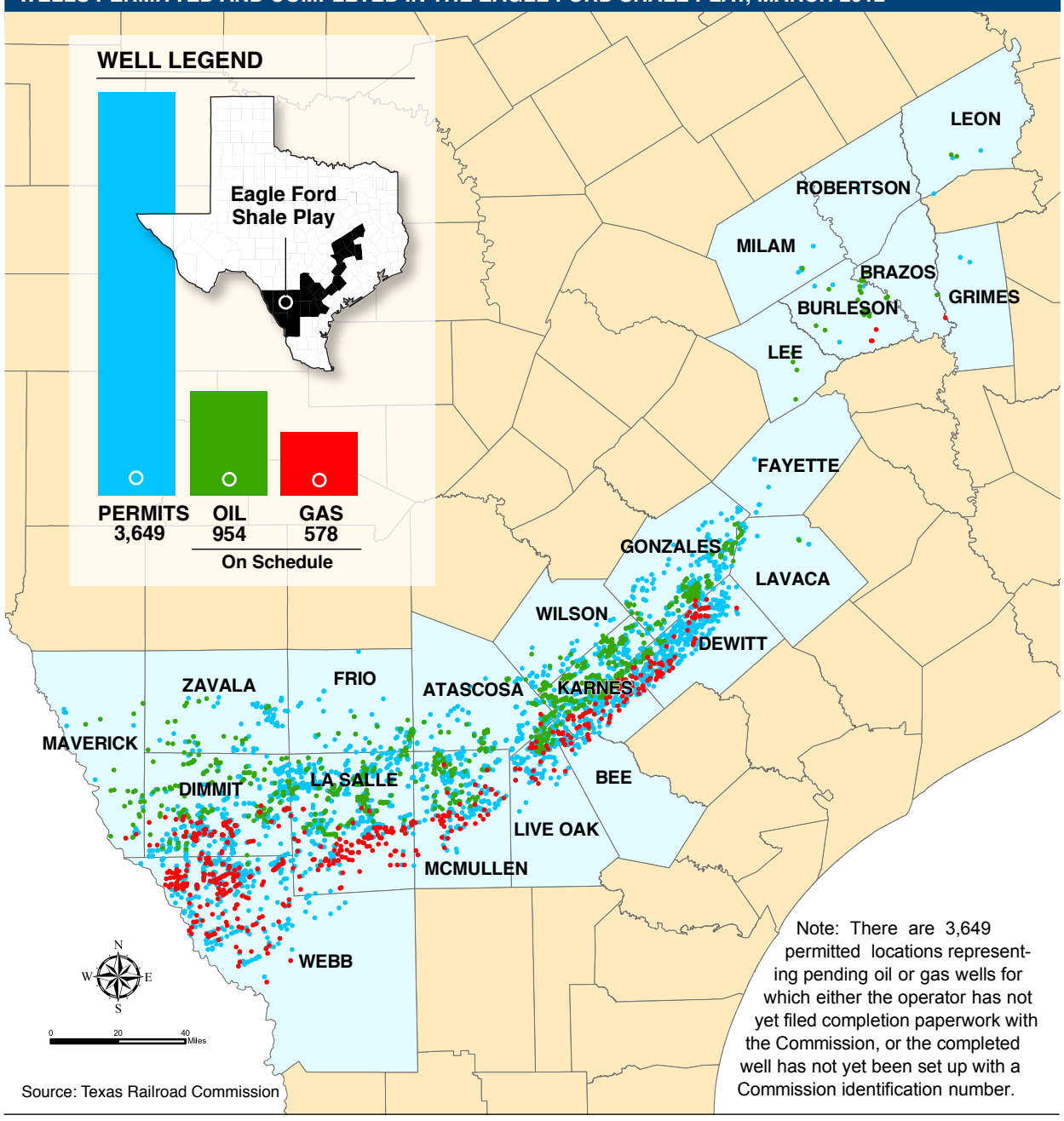
WELLS PERMITTED AND COMPLETED IN THE EAGLE FORD SHALE PLAY, MARCH 2012



Note: There are 3,649 permitted locations representing pending oil or gas wells for which either the operator has not yet filed completion paperwork with the Commission, or the completed well has not yet been set up with a Commission identification number.

Source: Texas Railroad Commission

Oil and oil condensate are close cousins to one another. Condensate has a slightly lower energy content, but is lighter than crude and produces a higher percentage of gasoline and diesel when refined. Both are valuable to producers.

UTSA's high-side estimate, Tunstall says, has economists and energy producers enthused.

"To date, the largest oil discovery in the lower 48 states was the East Texas oilfield, at about 7 billion barrels," he says. "Based on the range of estimates, Eagle Ford could come close to that, if not exceed it. And really, that's kind of mind-boggling because I, along with others, thought that Texas was played out in terms of big oil finds."

But it wasn't. In a gamble on the untapped shale formation, Petrohawk Energy Corporation drilled the first well in its Hawkville Field in LaSalle County in 2008. The Petrohawk discovery, at 10,000 to 12,000 feet below the surface, paved the way for other explorers in the shale. Horizontal drilling and hydraulic fracturing, established drilling techniques not often used in combination, helped get to the oil and natural gas in the shale.

MIKE YEAGER
Chief Executive Officer, BHP Billiton Petroleum

The shale is unusual in its abundance of liquids — more so than in other U.S. shale plays. The Eagle Ford Shale does produce natural gas, but Petrohawk made its initial discovery in an oil-bearing "sweet spot." Petrohawk, which was subsequently acquired by BHP Billiton Petroleum, has 14 drilling rigs in the field, and plans to increase its presence to more than 25 rigs by the end of 2013. BHP Billiton officials believe the Eagle Ford Shale play will pay dividends for years to come.

"The technology we're deploying to unlock this tremendous resource over the next 10 to 20 years will bring a great benefit to Texas, to America and ultimately to the world," says J. Michael Yeager, BHP Billiton Petroleum's chief executive officer. "It is the highest-value shale in the United States."

Since that initial discovery, activity in the Eagle Ford Shale has skyrocketed. In 2009, the formation had 40 producing oil leases and 67 producing natural gas leases; by 2011, those totals had risen to 368 and 550, respectively. The volume of drilling permits issued in 2011 was more than 180 percent higher than 2010 totals.

ENERGY PRODUCTION FROM THE SHALE ALREADY ACCOUNTS FOR

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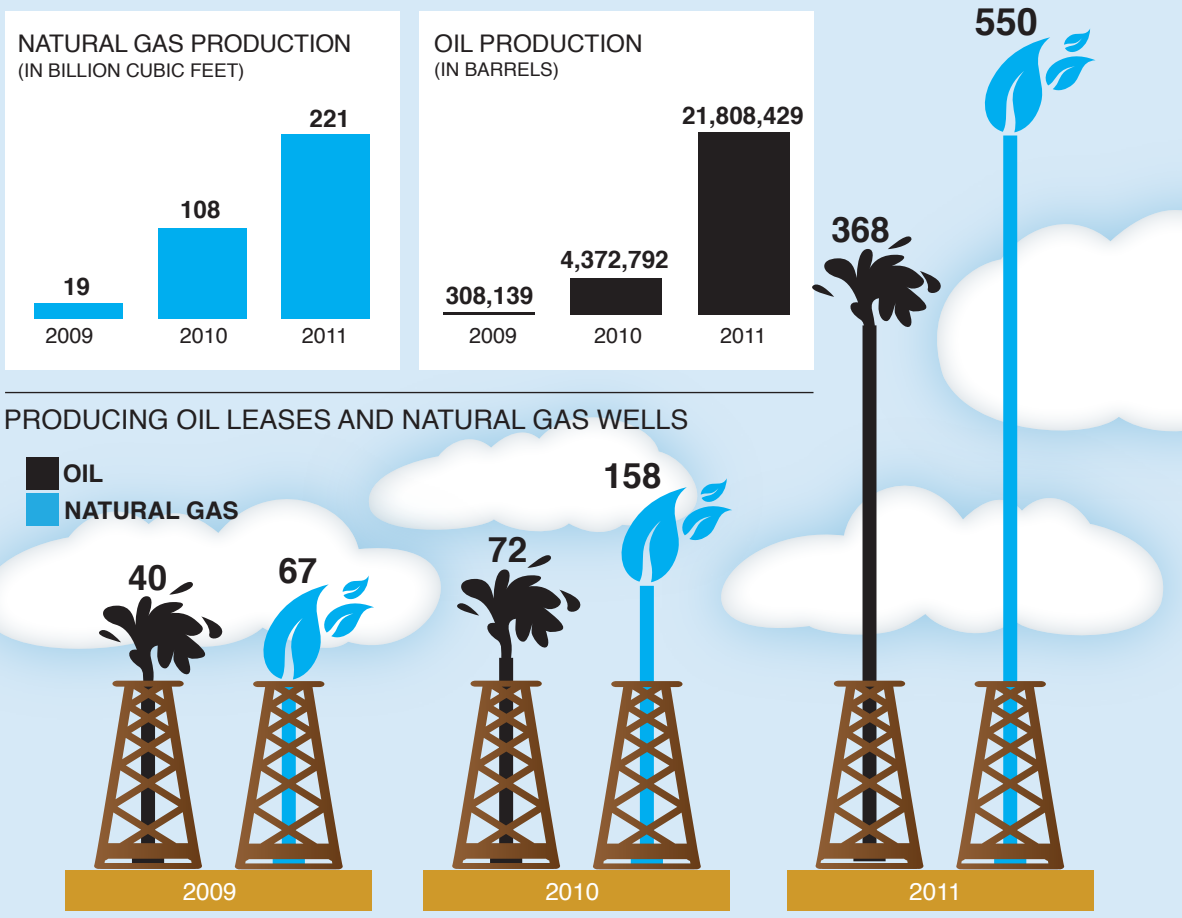
ON THE RISE – OIL, NATURAL GAS AND RIGS

Since the Petrohawk discovery in 2008, the pace of drilling in the Eagle Ford Shale has risen dramatically.



Source: Texas Railroad Commission

Rural Buzz

The increase in drilling activity means times are good for energy companies — and for the counties that overlay the shale production zone.

"Life has changed around here," says James Teal, county judge in McMullen County. "Traffic, especially commercial vehicle traffic, has exploded. There are new businesses, temporary housing for oil field workers… it's all popped up since drilling activity started in 2009. There hadn't been drilling activity in McMullen County prior to that."

And new businesses, of course, mean more jobs.

"Anyone who *will* work *can* work right now," Teal says. "Cashiers, cooks, even sheriff's deputies — we've lost some of those to jobs in the oil field."

Support industries benefit as well, including pipe companies, storage tank suppliers, truckers and others.

Wendall Wood, co-owner of Woods Trucking, took some of his Fort Worth-based truck inventory south to where the jobs are.

"There's a lot of opportunity down here right now and that's why we're here," Wood says. "It's like running a restaurant or anything else — if you have the means, you find the opportunity and then meet the demand."

"It looks to us like this is the real deal, and might have a 10- to 20-year lifespan," Tunstall says. "And as the energy companies get better with technology, their success rate goes up."

Wood's company has prior experience hauling materials in the Barnett Shale of North Texas, as well as in West Texas and Oklahoma. His decision to hire local drivers in the Eagle Ford area provides local jobs as well as easing logistics with his trucks far from home.

"It makes sense for us because it's easier than finding them a place to stay, and it also pays because they have local knowledge of the area," he says.

Still, the flood of workers in the area generally fills hotels along with just about every rentable space, with many returning to their permanent homes on weekends. Teal feels it's only a matter of time before some housing starts show up.

"There's nothing really for sale here right now, but we have folks ask every day 'Is there a place we can buy and build a house?'" he says. "I foresee that coming in the future, it just hasn't happened yet."

Developers may be reluctant to invest in the area right now, Tunstall says, given some uncertainty about the long-term future of Eagle Ford's oil and natural gas supply. But for now, the future looks good.

"It looks to us like this is the real deal, and might have a 10- to 20-year lifespan," Tunstall says. "And as the energy companies get better with technology, their success rate goes up. The nice thing about Eagle Ford is that they know the depth of the shale and where it is. They're not drilling many dry holes."

See updates on drilling activity in the Eagle Ford Shale